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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

MAR 16 1992

FORM 10-Q

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 1992

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

PROOF

Commission File Number: 33-31720-NY

PROCESS EQUIPMENT, INC

(Exact name of registrant as specified in its charter)

Nevada	62-1407522
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

PROCESSED BY
MAR 20 1992

3329 Baumberg Avenue, Hayward, CA 94545
(Address of principal executive offices) (Zip Code)

(510) 782-5122
(Registrant's telephone number, including area code

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of February 29, 1992
Common Stock, $.001 par value	2,725,000

PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements

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PROCESS EQUIPMENT, INC. AND SUBSIDIARY
CONSOLIDATED FINANCIAL STATEMENTS

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PROCESS EQUIPMENT, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
January 31, 1992 (Unaudited) and April 30, 1991

	January 31, 1992	April 30, 1991
ASSETS		
Current Assets		
Cash	$ 10,421	$ 64,612
Accounts Receivable - Trade (Net of $10,000 Reserve for Bad Debts)	248,211	187,349
Notes Receivable	30,933	50,148
Inventory (Note 1)	485,806	457,533
Prepaid Expenses	12,150	22,445
Vendor Deposits (Note 2)	8,987	33,651
Total Current Assets	796,508	815,738
Property, Plant and Equipment (Net of $280,815 and $283,200 of accumulated depreciation) (Notes 1 and 3)	86,381	91,314
Cash Surrender Value - Life Insurance (Less Reserve of $5,000)(Note 4)	18,017	18,017
Total Assets	900,906	925,069
Liabilities and Stockholders' Equity		
Current Liabilities		
Notes and Lease payable - current portion (Notes 5 and 6)	454,509	232,194
Accounts Payable and Accrued Expenses	712,827	808,513
Customer Deposits (Note 1)	322,388	123,862
	1,489,724	1,164,569
Long Term Liabilities		
Notes and Leases payable (Notes 5 and 6)	34,644	130,121
Total Liabilities	1,524,368	1,294,690
Stockholders' Equity		
Common Stock, par value $.001; 25,000,000 shares authorized 2,725,000 and 2,680,000 shares issued and outstanding	2,725	2,680
Additional Paid in Capital	196,258	155,918
Retained Earnings (Deficit)	(822,445)	(528,219)
Total Equity	(623,462)	(369,621)
Total Liabilities and Stockholders' Equity	$ 900,906	$ 925,069

See Accompanying Footnotes

PROCESS EQUIPMENT, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Three Months Ended January 31, 1992 and January 31, 1991
(Unaudited)

	January 31, 1992	January 31, 1991
Sales	$ 309,285	$ 447,012
Commissions	0	0
Total Revenues	309,285	447,012
Cost of Goods Sold	221,339	225,625
Gross Profit	87,946	221,387
Selling, General and Administrative Expenses	179,419	250,211
Income (Loss) Before Non-Recurring Item	(91,473)	(28,824)
Non- Recurring Item Expenses Incurred in Acquisition of Subsidiary	13,000	11,771
Income (Loss) From Operations	(104,473)	(40,595)
Other Income and (Expense)		
Other Income	304	229
Interest Expense	(14,946)	(9,696)
Foreign Currency Gains (Losses)	(208)	(8,040)
Income (Loss) Before Income Taxes	(119,323)	(58,102)
Income Taxes	0	0
Net Income (Loss)	$ (119,323)	$ (58,102)
Net Income (Loss) Per Share	$ (0.04)	$ (0.02)

See Accompanying Footnotes

PROCESS EQUIPMENT, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Nine Months Ended January 31, 1992 and January 31, 1991
(Unaudited)

	January 31, 1992	January 31, 1991
Sales	$1,728,363	$2,664,752
Commissions	41,500	0
Total Revenues	1,769,863	2,664,752
Cost of Goods Sold	1,314,821	1,847,470
Gross Profit	455,042	817,282
Selling, General and Administrative Expenses	654,322	890,525
Income (Loss) Before Non-Recurring Item	(199,280)	(73,243)
Non- Recurring Item		
Expenses Incurred in Acquisition of Subsidiary	34,300	109,524
Income (Loss) From Operations	(233,580)	(182,767)
Other Income and (Expense)		
Other Income	373	7,875
Interest Expense	(46,423)	(31,176)
Loan Fee	(15,000)	0
Foreign Currency Gains (Losses)	1,204	(9,544)
Income (Loss) Before Income Taxes	(293,426)	(215,612)
Income Taxes	800	800
Net Income (Loss)	$ (294,226)	$ (216,412)
Net Income (Loss) Per Share	$ (0.11)	$ (0.08)

See Accompanying Footnotes

PROCESS EQUIPMENT, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For The Nine Months Ended January 31, 1992
(Unaudited)

Cash Flow From Operational Activities:	
Net Loss	$ (294,226)
Adjustments to Reconcile Net Loss to Net Cash Used for Operating Activities:	
Depreciation and Amortization	22,615
Salaries Contributed by Officers	25,385
Stock Issued for Loan Fee	15,000
	(231,226)
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(60,862)
Decrease in Notes Receivable	19,215
Increase in Inventory	(28,273)
Decrease in Prepaid Expenses	10,295
Decrease in Vendor Deposits	24,664
Increase in Cash Surrender Value - Life Insurance	0
Decrease in Accounts Payable and Accrued Expenses	(95,686)
Increase in Customer Deposits	198,526
Net Cash Used in Operational Activities	(163,347)
Cash Flows From Investing Activities:	
Purchase of Fixed Assets	(17,682)
Cash Flows From Financing Activities:	
Principal Payments on Notes and Leases Payable	(41,367)
Proceeds From New Notes and Leases Payable	168,205
Net Cash Flow From Financing Activities	126,838
Net Decrease in Cash	(54,191)
Cash - Beginning	64,612
Cash - Ending	$ 10,421

See Accompanying Footnotes

PROCESS EQUIPMENT, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the Nine Months Ended January 31, 1992
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid In Capital	Retained Earnings (Deficit)
Balance April 30, 1991	2,680,000	$ 2,680	$ 155,918	$ (528,219)
Proceeds from Stock Issuance	45,000	45	14,955	
Salaries Contributed by Officers			25,385	
Net Loss				(294,226)
Balance January 31, 1992	2,725,000	$ 2,725	$ 196,258	$ (822,445)

See Accompanying Footnotes

PROCESS EQUIPMENT, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended January 31, 1992 (Unaudited)

Note 1 - Summary of Significant Accounting Policies

Business and Organization
Process Equipment, Inc. was organized under the laws of the State of Nevada on September 1, 1989. Process Engineers, Inc. was incorporated October 13, 1966 in the State of California. The principal business of the Company is the sales, service and manufacturing of equipment for the wine, food and bio-technology industries. Process Engineers, Inc. is a wholly-owned subsidiary of Process Equipment, Inc.

Basis of Presentation
The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended January 31, 1992 are not necessarily indicative of the results that may be expected for the year ended April 30, 1992. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended April 30, 1991.

Fixed Assets
Fixed Assets are stated at cost and depreciated over their estimated allowable useful lives, utilizing both the straight-line and declining balance methods. Expenditures for major renewals and betterments that extend the useful lives of fixed assets are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Inventory
Inventory is stated at the lower of cost or market determined on the First-in, First-out basis.

Income Taxes
The Company has elected to be taxed under Subchapter C of the Internal Revenue Code. For income tax purposes, depreciation is computed using the accelerated cost recovery method and the modified accelerated cost recovery system.

Deferred Taxes
The Company incurs a timing difference in depreciation expense due to the difference in depreciation methods used for financial and income purposes. Due to its immateriality, no deferred tax adjustment is made.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiary. The consolidation was treated as a reverse acquisition.

Earnings/Loss Per Share
Primary earnings per common share are computed by dividing the net loss by the weighted average number of shares of common stock outstanding during the periods ended January 31, 1992 and 1991.

Customer Deposits
The Company collects deposits from various customers for custom-designed equipment and for certain large orders. The deposits are collected while the equipment is being designed and manufactured and are shown as a liability when collected. These funds become revenues when the equipment is completed and shipped to the customer.

Note 2 - Vendor Deposits

The Company has funds deposited with foreign vendors for imported equipment sales.

Note 3 - Property, Plant and Equipment

Transportation Equipment	$ 53,591
Office Equipment	123,176
Shop Equipment	174,322
Leasehold Improvement	16,107
Total	$367,196
Less: Accumulated Depreciation	280,815
	$ 86,381

Note 4 - Cash Surrender Value - Officers Life Insurance

The Company purchased whole life insurance policies on the lives of its stockholders and officers. The cash surrender value has been reserved against, as the policy at January 31, 1992 and April 30, 1991 was with Executive Life, which has been seized by the California State Insurance Commission.

Note 5 - Leasing Arrangements

Capital Lease
The Company leases certain equipment under noncancellable capital leases with various expiration dates. Assets recorded under these leases as of January 31, 1992 consist of the following:

Equipment	$ 69,650
Less accumulated amortization	22,793
	$ 46,857

Operating Lease
The Company conducts its operations from facilities that are leased from a partnership, which is owned by two of the former stockholders of Process Engineers, Inc. The initial term of the operating lease is for ten years. There is an option to extend the lease for two consecutive five-year periods.

Rental expenses amounted to $46,928 for each of the nine month periods ended January 31, 1992 and 1991.

Future Minimum Lease Payments
Future minimum lease payments for capital and operating leases at January 31, 1992 are:

Years Ending January 31,	Capital Lease	Operating Lease	Total
1993	$ 23,615	$ 62,571	$ 86,186
1994	11,413	10,428	21,841
1995	5,445		5,445
Total Minimum Payments	$ 40,473	$ 72,999	$113,472
Less Interest Portion	5,562		
Present Value of Minimum Lease Payments	$ 34,911		
Less Current Portion	20,267		
	$ 14,644		

Note 6 - Notes and Leases Payable

Notes Payable consists of the following:

Note Payable - D & J Pera Partnership Demand Note, unsecured and interest bearing at 10%, no scheduled repayment plan.	$ 20,000
Leases Payable (See Note 5)	34,911
Notes Payable - Former Shareholders Notes payable due September 15, 1992 with interest payable quarterly at a rate of 10%, secured by the depreciable property, plant and equipment.	70,681

Note Payable - Stockholder Note Payable due September 15, 1992 with interest payable quarterly at a rate of 10%, secured by the depreciable property, plant and equipment.	23,561
Note Payable - Randolph Pace Note Payable due March 30, 1992 with interest payable at maturity at a rate of 12%, secured by the inventory of stainless steel parts and components.	150,000
Note Payable - Associate of Stockholder Note Payable due June 30, 1992 with interest payable monthly at a rate of 12%, secured by the accounts receivable of the Company.	85,000
Notes Payable - Stockholders Unsecured notes payable due January 1, 1993 with interest payable at maturity at a rate of 9%.	105,000
Total Liabilities	$489,153
Less Current Portion	454,509
	$ 34,644

Note 7 - Stock Option Plan

In July 1990, the Company's 1990 Stock Option Plan (the "Plan") was adopted by the Company's Board of Directors. Under the Plan, up to 345,400 shares of Common Stock, as adjusted for the number of shares covered by any stock appreciation rights ("SARs") which are exercised and certain changes in the Company's capitalization to prevent dilution, may be issued upon the exercise of options or SARs. Options and SARs may be granted under the Plan to officers, directors or other key employees of the Company, and to other individuals whose participation in the Plan is deemed to be in the Company's interest, by a committee appointed by the Company's Board of Directors (the "Committee"). Robert L. Lundak, H. Douglas Power and George P. Cortessis will serve as the initial members of the Committee and are not eligible to receive options under the Plan. On July 1, 1990, the Company granted options to four employees. In November, 1990 one of the four left full-time employment with the Company and their options were terminated. Each option entitles the holder to purchase up to 15,000 shares of Common Stock (subject to antidilution adjustments) at $5.50 per share. Each such option becomes exercisable with respect to 5,000 shares on and after January 1, 1991, July 1, 1991 and July 1, 1992 and expires on August 31, 1992. As of February 29, 1992 no options have been exercised.

PROCESS EQUIPMENT, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Nine Months Ended January 31, 1992 (Unaudited)

Note 8 - Research and Development

During the nine months ended January 31, 1992, the Company incurred expenditures for research and development totalling $50,000 as compared to $135,000 for the nine months ended January 31, 1991.

Note 9 - Employment Agreements

The Company entered into three-year Employment Agreements with H. Douglas Power, Robert L. Lundak, and George P. Cortessis, each commencing as of April 18, 1990. Each agreement contains confidentiality and non-compete provisions. Under the Employment Agreements, each officer is entitled to a salary of $64,000 per year, vacation, sick leave, insurance, medical and similar benefits. By agreement of the Company's Board of Directors and its officers, each officers' salary is currently $60,000 per year which they are currently being paid. During the nine months ended January 31, 1992, the officers waived $25,385 of salaries accrued during the fiscal year ended April 30, 1991. These amounts have been expensed and charged to additional paid in capital. Mr. Power's agreement was terminated in July 1991 when he left full-time employment with Process Engineers.

Note 10 - Outstanding Warrants

As part of its public offering, the Company offered and sold 36,000 Units, consisting of one share of Common Stock, 12 Redeemable Class A Common Stock Purchase Warrants ("Class A Warrants"), and 12 Redeemable Class B Common Stock Purchase Warrants ("Class B Warrants"). The Company also issued to the underwriter for its initial public offering 3,600 Underwriter's Warrants (together with the Class A Warrants and the Class B Warrants, the "Warrants"), which entitle the holder to purchase 3,600 Units at a price of $6.42 per Unit for a period of 48 months commencing on February 14, 1991. Each Class A Warrant is exercisable by the holder to purchase one share of Common Stock at an exercise price of $1.25 until February 14, 1993. Each Class B Warrant is exercisable by the holder to purchase one share of Common Stock at an exercise price of $1.25 until February 14, 1994.

The Warrants contain customary antidilution provisions regarding certain events, including but not limited to share dividends, split ups, and reclassifications. Upon any subdivision, consolidation or reclassification of the Company's shares, if the outstanding shares of Common Stock are divided into a different number or different classes of shares, the exercise prices and numbers and types of shares purchasable under the Warrants shall be proportionately adjusted. Upon consolidation or merger of the Company, Warrant holders shall, upon exercise of their Warrants, generally be entitled to purchase the securities or property to which a holder of the same number of shares

issuable upon exercises of the Warrants would have been entitiled to receive upon such consolidation or merger. The Warrants will not entitle their holders to any voting rights or dividends. In the event of any dissolution or winding up of the Company, the Warrants will not entitle their holders to participate in a distribution of the Company assets. The Class A and Class B Warrants are subject to redemption by the Company upon 30 days prior written notice to the Class A and Class B Warrant holders of record. The redemption price is $0.01 per Class A and Class B Warrant. The Underwriters' Warrants are not redeemable.

Note 11 - Certain Transactions With Management

On June 14, 1991, Process Engineers borrowed $45,000 from its President, Dr. Robert Lundak to help repay a bank line of credit pursuant to the terms of an unsecured promissory note due January 1, 1993, which bears interest at nine percent per annum. As of May 31, 1991, Process Engineers borrowed $145,000 from the Company's shareholders and their associates to repay $145,000 outstanding on another bank line of credit. Process Engineers borrowed $25,000 from H. Douglas Power, the Company's director, $35,000 from George P. Cortessis, the Company's Secretary, Treasurer and director, and $85,000 from relatives of Mr. Cortessis. In connection with such borrowings, the Company issued unsecured promissory notes to Mr. Power and Mr. Cortessis which bear interest at a rate of nine percent per annum and are due January 1, 1993. The Company issued a promissory note to the relatives of Mr. Cortessis which is secured by the Company's accounts receivable, bears interest at 12% and is payable June 30, 1992.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

On April 18, 1990, by issuing 2,144,000 shares of its Common Stock, Process Equipment, Inc. acquired all of the shares of Process Engineers, Inc. ("Process Engineers"), an operating company which supplies products and services to manufacturers in the wine, food and bio-technology industries. Except for the infusion of the cash assets held by the Company at the time of its acquisition of Process Engineers, the business of the Company is the business of Process Engineers. Even though the Company is the legal acquiring entity in the acquisition, Process Engineers is considered to be the acquiring company for accounting purposes because the former shareholders of Process Engineers hold the majority of the Company's outstanding shares. Thus, the Company's acquisition of Process Engineers is treated for accounting purposes as a reverse acquisition wherein substantively Process Engineers acquired the Company with the accounts of the Company reflected at their book value from the date of acquisition forward. As such, no goodwill is recorded at the acquisition date. As used below, "the Company" refers to Process Engineers and the Company together, unless the context requires otherwise.

A majority of the Company's revenues has traditionally come from its business of providing products and services for the wine and food industries, with wineries accounting for most of those revenues. However, the Company in recent years has sought to develop and market bio-technology products and services which utilize components and technologies similar to those used in the corporation's wine and food business. Management anticipates that the Company's sales growth in future years will come primarily from bio-technology products and services; however, such products and services are subject to the unforeseeable risks, expenses and problems typically associated with a new business.

The Company's sales of products and services to wineries occur primarily in the months before and during the August-October "crush" period. Since such sales presently account for a majority of the Company's revenues, this seasonality has and will cause the Company's revenues, earnings and cash needs and resources to vary substantially from quarter to quarter.

Results of Operations

Total sales of the Company during the three months and nine months ended January 31, 1992 decreased by $137,727 and $894,889 from sales for the corresponding periods ending January 31, 1991. Such decreases resulted from a $61,322 decrease (from $162,021 to $100,699) for the three-month periods, and from a $404,913 decrease (from $1,402,424 to $997,511) for the nine-month periods, in revenues from sales of wine and food products and services. Management believes that the decreases in wine and food sales were

due, in large part, to the effects of weaknesses in the current economy on the wine industry and to the fact that new taxes were imposed upon wineries during 1991 based upon the amount of inventory on hand. These two factors caused a decrease in wine and food production and a decrease in equipment purchases by wineries and food companies. Sales of biotechnology products and services for the three months and nine months ended January 31, 1992 decreased by $76,405 (from $284,991 to $208,586) and by $489,976 (from $1,262,328 to $772,352) over the corresponding periods ending January 31, 1991. Management believes that this decrease resulted primarily from the generally recessionary economy that existed during 1991 and its negative effect on the demand for products of and equipment and services used by producers of bio-technology products. However, management continues to believe that the Company's sales growth in future years, if any, will come primarily from sales of products and services to customers in the bio-technology industry. This is evidenced by the fact that as of February 28, 1992 the Company had a backlog of firm orders from bio-technology customers in excess of $700,000. These orders will generally be completed within three months and recorded as revenues.

Cost of goods sold for the three months and nine months ended January 31, 1992 decreased by $4,286 and $532,649 over the prior periods. The gross profit for the three months and nine months ended January 31, 1992 decreased by $133,441 and $362,240 over the prior periods The gross profit margin decreased from 50% and 31% for the three months and nine months ended January 31, 1991 to 28% and 26% for the corresponding periods ending January 31, 1992. The decrease in gross profit margin for the three months ended January 31, 1992 as compared to the three months ended January 31, 1991 was due mainly to the fact that during the three months ended January 31, 1991, a significant portion of the revenues was from sales of equipment that were engineering intensive. These projects contained a great deal of engineering time which is billed at a much higher margin than the raw materials and the labor that is used to manufacture the equipment. The decrease in gross profit margin for the nine months ended January 31, 1992 as compared to the nine months ended January 31, 1991 was due to the reason stated above for the three month periods as well as the fact that revenues from the sales of bio-technology products and services accounted for 43% of the total revenues for the nine months ended January 31, 1992 as compared to 47% of total revenues for the nine months ended January 31, 1992. Bio-technology products and services are generally sold at a higher margin that products and services sold to the wine and food industries.

Selling, general and administrative expenses for the three-month and nine-month periods ended January 31, 1992 decreased by $70,792 and $236,203 from the corresponding period ending January 31, 1991. These decreases were due to reductions in such expenses implemented by management to conform to lower sales volumes. These

decreases included layoffs of certain personnel which were done in order to conform to the lower sales volume. Nonrecurring expenses related to the acquisition of Process Engineers by the Company, together with reduced sales, resulted in the Company realizing a net loss for the period ending January 31, 1992.

Liquidity and Capital Resources

The Company has in recent years financed its operations primarily with operating revenues and loans from various institional and individual lenders, most of whom are affiliates. As of May 31, 1991, Process Engineers borrowed $145,000 from the Company's shareholders and relatives of one of the Company's officers to repay a bank line of credit. In connection with such borrowings, Process Engineers issued unsecured promissory notes for $35,000 and $25,000 to the Company's officer and director, George P. Cortessis, and its director H. Douglas Power, respectively. These notes bear an interst rate of 9% and are due January 1, 1993. Process Engineers also issued a promissory note for $85,000 to relatives of Mr. Cortessis. This note is secured by the Company's accounts receivable, bears interest at a rate of 12% and is payable June 30, 1992. Management intends to use proceeds from Warrant exercises, if any, to repay all or a portion of the $85,000 note. As of June 14, 1991, the Company borrowed $45,000 from Dr. Robert Lundak, the Company's president to repay a bank line of credit. The Company issued Dr. Lundak an unsecured promissory note due January 1, 1993 which bears interest at a rate of 9% per annum.

In May, 1991 the Company borrowed $150,000 and issued a promissory note to an unaffiliated, individual lender. The note has a 12% interest rate, is payable March 30, 1992 and is secured by an interest in the Company's inventory of stainless steel parts and components. In partial consideration for the amount borrowed under the note, the Company issued the lender 45,000 shares of Common Stock. Management intends to pay all or a portion of the amount due on the note with proceeds from the Warrant exercises, if any.

If all of the Warrants are exercised, management intends to use $110,000 from such proceeds to hire and train additional manufacturing personnel and to acquire new manufacturing equipment for the Company's facility. In addition, management intends to use $50,000 of such proceeds to hire an additional marketing person and to advertise the Company's products in certain publications. Management also estimates that approximatly $80,000 in proceeds from Warrant exercises will be used to hire additional engineering personnel, to purchase additional automated engineering equipment and to upgrade existing wine and bio-technology systems. Assuming all of the Warrants are exercised, management intends to use up to $329,242 from such proceeds to repay part of the Company's outstanding debt.

The proposed expansions of the Company's activities set forth in the preceeding paragraph are expected to result in greater revenues and profits from operations. If no or a minimal number of Warrants are exercised, the proposed expansions will likely be curtailed. At January 31, 1992, the Company had a working capital deficit of $693,216 with the current portion of notes and leases payable equal to $454,509. Based on sales projections during the next twelve months and continuing decreases in selling, general and administrative expenses, management believes that, although the Company has incurred losses for the years ending April 30, 1991 and 1990 and the nine months ended January 31 1992, the Company should receive sufficient working capital from operations to meet its cash requirements for operations during the next twelve months. No assurance can be given, however, that economic or other factors will not adversely affect actual sales. In addition, if no or a minimal number of Warrants are exercised, the Company will need to raise additional funds through borrowings, issuances of equity securities or other sources to pay off all or portions of the short term loan indebtedness totalling $329,242 which is intended to be paid with proceeds from Warrant exercises. Management has received verbal assurances from the lenders of $235,000 of such debt that if proceeds are not available from Warrant exercises or other sources, the Company will be able to renegotiate the loans into long-term notes which may be repaid from working capital generated from operations. If sufficient proceeds are not available from Warrant exercises, management believes that the Company should receive sufficient working capital from operations during the August to October wine "crush" period to pay off the addtional $92,242 in loan indebtedness. If the Company does not receive sufficient working capital to repay such $92,242 debt, management believes that it will be able to renegotiate the terms of the debt into long-term notes since all of such debt is owed to current and former shareholders of the Company. As of February 28, 1992, the Company has not secured any sources of additional financing. No assurance can be given that there will not be continued losses from operations or that operating profits will be sufficient to satisfy the Company's cash needs. Should the Company require additional debt or equity financing to repay indebtedness or finance its operations, there is no assurance that it will be able to obtain such financing when required or that such financing, if obtained, would be on favorable terms and conditions.

PART II. OTHER INFORMATION

Not Applicable.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PROCESS EQUIPMENT, INC.

By: Robert L. Lundak
Robert L. Lundak
President and
Chief Accounting Officer

Date: March 12, 1992